



# MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa) Registration number 1995/004153/06 Ordinary share code: MVG Preference share code: MVGP Ordinary share ISIN: ZAE 000060737 Preference share ISIN: ZAE 000073540 ("Mvela Group", "the Company" or "the Group")

## Summarised Group statement of financial position

	Reviewed 30 June 2011	Audited 30 June 2010
R'000		
<b>Assets</b>		
<b>Non-current assets</b>	<b>2 298 006</b>	3 354 514
Property, plant and equipment	1 252	389 492
Intangible assets	—	834 554
Investment in associates	635 385	674 098
Strategic investments	1 661 369	1 438 664
Deferred taxation	—	17 706
<b>Current assets</b>	<b>468 140</b>	3 995 498
Strategic investments	—	2 626 286
Other investments	355 069	—
Other current assets	24 786	843 069
Cash and cash equivalents	88 285	526 143
<b>Assets in disposal group held for sale</b>	<b>—</b>	5 045
<b>Total assets</b>	<b>2 766 146</b>	7 355 057
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>	<b>2 357 323</b>	4 894 283
Owners of the parent	2 160 241	4 725 023
Minority shareholders	197 082	169 260
<b>Non-current liabilities</b>	<b>382 524</b>	1 552 174
Interest-bearing liabilities	333 078	1 279 535
Financial liability	—	36 900
Deferred taxation	49 446	235 739
<b>Current liabilities</b>	<b>26 299</b>	908 600
Interest-bearing liabilities	—	78 699
Non-interest-bearing liabilities	—	20 712
Bank overdraft	24 366	—
Other current liabilities	1 933	809 189
<b>Total equity and liabilities</b>	<b>2 766 146</b>	7 355 057
Net number of ordinary shares in issue (000)	529 139	407 139
Diluted net number of ordinary shares in issue (000) <sup>a</sup>	529 139	465 484
Net asset value per ordinary share (cents)	409	1 015,1
Net tangible asset value per ordinary share (cents)	409	832,0

<sup>a</sup>Remaining number of preference shares in issue as at 30 June 2011 was 265 362 shares. A dilutive effect was not calculated for this year. Prior year was calculated on the basis that all preference shares will be converted into ordinary shares after November 2009 and November 2010 respectively.

## Summarised Group statement of changes in equity

	Reviewed 30 June 2011	Audited 30 June 2010
R'000		
<b>Balance at the beginning of the year</b>	<b>4 894 283</b>	4 017 544
(Disposal)/acquisition of subsidiaries	(12 422)	779
Cost of BEE transaction	15 501	16 175
Issued BEE share	151	—
Total comprehensive (loss)/income for the year	(69 039)	891 492
Dividends/distributions	(2 471 151)	(31 707)
<b>Balance at the end of the year</b>	<b>2 357 323</b>	4 894 283

## Commentary

### Introduction

Mvela Group reported at the time of release of interim results the significant progress made on its value unlocking strategy with the unbundling of its investments in Life Healthcare Limited ("Life Healthcare") and Mvelaserve Limited ("Mvelaserve") to shareholders. Since then, Mvela Group continues to explore avenues to unlock value in the most efficient way for shareholders.

### Financial review

#### Financial performance

The results for the year ended 30 June 2011 include revenue of R1 886 million from Mvelaserve for five months prior to its unbundling on 6 December 2010 compared to R4 199 million for the full 12 months the previous year. Operating profit for the year amounted to R115 million which excludes R85 million of exceptional items incurred for the listing and unbundling of Mvelaserve and the unbundling of Life Healthcare to shareholders.

Net interest expense for the year decreased to R45 million from R108 million the previous year mainly as a result of settling non-current liabilities during the year.

Mvela Group received dividend income of R72 million (2010: R170 million) during the year, of which, R57 million was received from Life Healthcare.

Net fair value adjustments and profit and loss from investments amounted to a net loss of R230 million against a gain of R408 million the previous year which comprises a net gain from fair value adjustments on investments of R197 million (2010: R609 million), an unbundling fair value adjustment loss of R284 million, and R143 million (2010: R201 million) in net realised loss from disposal of investments. The net fair value adjustment of investments of R197 million includes R237 million fair value gain from the Group's indirect investment in Absa Group Limited ("Absa") offset by R72 million fair value loss from the Group's investment in Group Five Limited ("Group Five").

The net loss from associates amounted to R4 million against a loss of R23 million the previous year. The Group's interest in Avusa Limited ("Avusa") contributed R8 million of the aforementioned R4 million loss, being the Group's share of Avusa's comprehensive income for the year ended 31 March 2011 of R42 million (2010: R40 million) offset by an impairment on the Group's investment in Avusa of R50 million (2010: R69 million).

Costs relating to the portion of the 124 425 055 redeemable option-holding shares ("BEE shares") that are amortised to the statement of comprehensive income in accordance with AC503, *Accounting for black economic empowerment (BEE) transactions*, have vested in full with the final cost of R16 million amortised during the year.

Tax credit of R119 million (2010: R136 million) was charged to the statement of comprehensive income during the year of which R144 million relates to the over provision of deferred tax provided for in respect of the Group's indirect investment in Absa, R47 million capital gains tax ("CGT") incurred from the sale of Life Healthcare shares and secondary tax on companies ("STC") of R6 million. Dividends paid to ordinary shareholders of R2 456 million results mainly from the unbundling of Life Healthcare and Mvelaserve. As the unbundling transactions qualified for roll-over relief as set out in section 46 of the *Income Tax Act 58 of 1962*, no STC was payable by the Company.

### Financial position

The 2011 investment in associates comprises the Group's investment in Avusa amounting to R635 million (2010: R674 million) after equity accounting for the Group's share in Avusa's comprehensive income of R42 million (2010: R40 million) less an impairment in the amount of R50 million (2010: R69 million).

Investments decreased to R2 016 million at 30 June 2011 from R4 065 million the previous year, mainly attributable to the Life Healthcare unbundling of R1 892 million. As part of the unbundling of Life Healthcare and Mvelaserve, the Group received shares to the value of R270 million in lieu of its 35 765 285 Mvela Group treasury shares held. Investments with a carrying value of R631 million were disposed of during the year, which includes the Health Strategic Investments Limited shares received on unbundling. The proceeds received from disposal of investments were mostly used to settle the Group's interest-bearing liabilities.

The Group's net cash position decreased to R64 million, including a R24 million overdraft at 30 June 2011, from R526 million at 30 June 2010 mainly from the unbundling of Mvelaserve and from the reduction of interest-bearing liabilities.

Total interest-bearing liabilities at 30 June 2011 decreased to R333 million from R1 358 million at 30 June 2010 mainly attributable to repayments of R609 million and R435 million debt being disposed of via the Mvelaserve unbundling.

### Capital structure

The issued ordinary share capital of the Company increased by 121 999 596 shares to 565 473 650 ordinary shares following the conversion of 53 995 906 preference shares as mentioned below. The ordinary shares held as treasury shares remained unchanged at 35 765 285 shares.

The issued preference shares decreased to 265 362 convertible perpetual cumulative preference shares following the conversion of the 53 995 906 preference shares. The conversion price of the convertible perpetual cumulative preference shares was changed on 23 August 2010 to R4,50 from R9,30 following the distribution of Life Healthcare to ordinary shareholders. Preference shareholders had until 4 November 2010 to convert and the remaining 265 362 convertible perpetual cumulative preference shares have now become perpetual preference shares at a dividend rate of 80% of the ruling prime overdraft rate, redeemable at the instance of the issuer. The preference shareholders earned dividends at a rate of 5,5% per annum up to 4 November 2010 and at 80% of the ruling prime overdraft rate from 5 November 2010 until 30 June 2011.

BEE shareholders were not able to participate in the unbundling of Life Healthcare or Mvelaserve. As compensation, and to enhance and secure Mvela Group's BEE shareholding credentials, additional BEE shares were created and allotted, increasing the issued number of BEE shares to 276 223 624 at 30 June 2011 from 124 425 056 at 30 June 2010. Similarly, the minimum strike price of R17,50 was adjusted to R9,18 per Mvela Group ordinary share.

### Intrinsic net asset value

The Group's intrinsic net asset value per share decreased to R3,65 from R11,36 at 30 June 2010 mainly due to the unbundling of Life Healthcare and Mvelaserve.

## Summarised Group statement of comprehensive income

	Reviewed 30 June 2011	% change	Audited 30 June 2010
R'000			
Continuing operations			
(Loss)/profit from operations	(39 837)	(1 347)	3 195
(Loss)/profit from operations pre-exceptional items	(25 596)		3 195
Exceptional items	(14 241)		—
Net interest expense	(24 464)		(47 234)
Interest income	15 482		20 470
Interest expense	(39 946)		(67 704)
Share of loss from associates	(7 942)		(28 593)
Dividend income	72 256		170 014
Net fair value adjustments and (loss)/profit from investments	(229 505)	(157)	407 622
Cost of BEE transaction	(15 501)		(16 175)
<b>(Loss)/profit before taxation from continuing operations</b>	<b>(244 993)</b>	(151)	488 829
Taxation charge	140 250		226 153
Normal and capital gains (current and deferred) taxation	145 921		230 510
Secondary tax on companies	(5 671)		(4 357)
<b>(Loss)/profit after taxation from continuing operations</b>	<b>(104 743)</b>		714 982
Discontinued operations			
Revenue	1 886 411	(55)	4 199 259
Profit from operations	70 655	(79)	323 850
Profit from operations pre-exceptional items	140 933		323 850
Exceptional items	(70 278)		—
Net interest expense	(20 537)		(60 631)
Interest income	10 529		14 958
Interest expense	(31 066)		(75 589)
Share of profit from associates	3 522		6 076
Net fair value adjustments and profit/(loss) from investments	3 149	216	(2 726)
<b>Profit before taxation from discontinued operations</b>	<b>56 789</b>		266 569
Taxation charge	(21 085)		(90 059)
Normal and capital gains (current and deferred) taxation	(20 984)		(87 823)
Secondary tax on companies	(1 101)		(2 236)
<b>Profit after taxation from discontinued operations</b>	<b>35 704</b>	(80)	176 510
<b>Total comprehensive (loss)/income for the year</b>	<b>(69 039)</b>	(108)	891 492
<i>Total comprehensive (loss)/income attributable to:</i>			
Owners of the parent	(124 471)		865 781
Other shareholders	55 432		25 711
– Preference shareholders	14 790		30 008
– Minority shareholders	40 642		(4 297)
	(69 039)		891 492
Weighted average net number of ordinary shares in issue (000)	491 217		406 962
Diluted weighted average net number of ordinary shares in issue (000) <sup>a</sup>	491 217		465 307
(Loss)/earnings per ordinary share (cents)	(26,0)		212,7
(Loss)/earnings per ordinary share from continuing operations (cents)	(32,0)	(119)	171,0
(Loss)/earnings per ordinary share from discontinued operations (cents)	6,0	(86)	41,7
Headline earnings per ordinary share (cents)	43,0		238,5
Headline earnings per ordinary share from continuing operations (cents)	36,0	(82)	196,9
Headline earnings per ordinary share from discontinued operations (cents)	7,0	(84)	41,6
Diluted (loss)/earnings per ordinary share (cents)	(26,0)		192,5
Diluted (loss)/earnings per ordinary share from continuing operations (cents)	(32,0)	(121)	156,0
Diluted (loss)/earnings per ordinary share from discontinued operations (cents)	6,0	(84)	36,5
Diluted headline earnings per ordinary share (cents)	43,0		215,0
Diluted headline earnings per ordinary share from continuing operations (cents)	36,0	(80)	178,6
Diluted headline earnings per ordinary share from discontinued operations (cents)	7,0	(81)	36,4
Dividends per preference share (cents)	30,0		54,2
Interim	30,0		27,1
Final	—		27,1

<sup>a</sup>Remaining number of preference shares in issue as at 30 June 2011 was 265 362 shares. A dilutive effect was not calculated for this year. Prior year was calculated on the basis that all preference shares will be converted into ordinary shares after November 2009 and November 2010 respectively.

The intrinsic net asset value per ordinary share net of capital gains tax and debt is set out in the table below:

	30 June 2011			30 June 2010		
	Intrinsic gross asset value (after CGT) Rm	Intrinsic net asset value Rm	Per share (1)(2) R	Intrinsic net asset value Rm	Per share (2)(3) R	
Absa Group	1 053	—	1,99	913	1,96	
Life Healthcare	270	—	0,51	2 542	5,46	
Avusa	635	(333)	302,057	(345)	(0,74)	
Group Five	82	—	0,15	174	0,37	
Mvelaserve	99	—	0,18	1 723	3,70	
Vox Telecom	48	—	0,09	(215)	(0,46)	
Other investments	26	—	0,04	25	0,05	
Net cash	64	—	0,12	476	1,02	
<b>Total</b>	<b>2 277</b>	<b>(333)</b>	<b>1 944,365</b>	<b>5 293</b>	<b>11,36</b>	

<sup>1</sup>Based on total net number of ordinary shares in issue on 30 June 2011 of 529 million ordinary shares.

<sup>2</sup>Based on the fully diluted net number of 465 million ordinary shares, on the assumption that all the preference shares are converted into ordinary shares.

<sup>3</sup>BEE shares issued in June 2007 and December 2010 have not been taken into account in calculating the intrinsic net asset value per ordinary share as the minimum option strike price of R9,18 (2010: R17,50) is greater than the current Mvela Group ordinary share price.

<sup>4</sup>The intrinsic net asset value is unaudited and un-reviewed.

Based on Mvela Group's ordinary share price listed on the JSE of R3,28 on 30 June 2011, the ordinary shares were trading at a discount of 11% to the Group's intrinsic net asset value per ordinary share of R3,65 at that date.

### Investment review

#### Absa

The Absa intrinsic net asset value of R1,99 per Mvela Group share was based on the Absa share price of R134,81 per share at 30 June 2011 compared to R1,96 per Mvela Group share which was based on an Absa share price of R121,49 per share at 30 June 2010. The Group's investment in Absa comprises 54% of the Group's intrinsic net asset value at 30 June 2011.

#### Avusa

The Group's interest of 26 474 000 ordinary shares in Avusa was diluted to 22% at 30 June 2011 from 25,5% at 30 June 2010 following an issue of ordinary shares by Avusa as part settlement for an acquisition during the period under review. Based on a closing price at 30 June 2011 of R24 (2010: R19,10), the intrinsic net asset value amounted to R0,57 per Mvela Group share compared to a negative R0,74 per Mvela Group share at 30 June 2010. The aforementioned improvement was mainly as a result of a R518 million repayment of debt. Mvela Group's 22% investment in Avusa comprises 15% of Mvela Group's intrinsic net asset value at 30 June 2011.

#### Group Five

Mvela Group's interest in Group Five is valued using an option-pricing model. Based on a share price of R29,90 at 30 June 2011 (2010: R34,50), the intrinsic net asset value amounted to R0,15 per Mvela Group share compared to an intrinsic net asset value of R0,37 per Mvela Group share at 30 June 2010. Mvela Group's 12,7% investment in Group Five comprises 4% of the Group's intrinsic net asset value at 30 June 2011.

#### Life Healthcare

Life Healthcare, which was listed in the previous financial year, was unbundled to shareholders on 20 August 2010 via shares in a newly listed subsidiary, Health Strategic Investments ("Health"). Each Health share represented one Life Healthcare share and was unbundled to shareholders in a ratio of 33,455 Health shares for every 100 Mvela Group ordinary shares held, resulting in Mvela Group, through its 35 765 285 treasury shares held by a subsidiary, receiving 11 964 686 Health ordinary shares. Health unbundled its Life Healthcare shares to its shareholders on 17 December 2010 in a ratio of 1:1.

Apart from the above, Mvela Group owned a direct interest of 44 305 618 shares in Life Healthcare of which 9 920 338 were sold pursuant to the overallotment after the listing of Life Healthcare. A further 16 935 377 Life Healthcare shares were sold during the year bringing the Group's interest in Life Healthcare to 17 449 903 or 1,67%.

The Life Healthcare share price at 30 June 2011 amounted to R17,59 per share which translated to a net intrinsic value of R0,51 per Mvela Group share compared to R5,46 per Mvela Group share at 30 June 2010. The decrease was mainly due to the unbundling effect of R4,72 per Life Healthcare share, partially offset against the increase in the Life Healthcare share price from R13,50 to R17,59 per share. Life Healthcare comprises 14% of Mvela Group's intrinsic net asset value at 30 June 2011.

#### Mvelaserve

Mvelaserve was listed on the JSE on 29 November 2010 after which the Group unbundled its total interest to shareholders on 6 December 2010. As part of the unbundling, the Group received 8 953 481 Mvelaserve shares in lieu of its holding of 35 765 285 Mvela Group treasury shares.

The share price of Mvelaserve on the JSE at 30 June 2011 was R12,00 which translates to R0,18 per Mvela Group ordinary share at 30 June 2011 compared to R3,70 per Mvela Group share at 30 June 2010. Mvelaserve comprises 5% of the Group's intrinsic net asset value at 30 June 2011.

#### Vox Telecoms Limited ("Vox Telecom")

The intrinsic net asset value of Mvela Group's 12% investment in Vox Telecom amounts to R0,09 per Mvela Group share based on the closing price of R0,35 per Mvela Group share at 30 June 2011 compared to a negative R0,46 per Mvela Group share at 30 June 2010. The aforementioned improvement was mainly as a result of a R256 million redemption in debt.

#### Changes to board of directors

Ms Cuba resigned as chief executive officer (CEO) with effect from 31 December 2010. In view of the Group's unbundling strategy, the JSE approved that the position of CEO remain vacant for a period of 18 months from 30 March 2011.

#### Accounting policies and international financial reporting standards

The reviewed summarised consolidated financial statements for the year ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) including IAS 34, AC500 standards as issued by the Accounting Practices Board or its successor, the JSE Listings Requirements, and in the manner required by the Companies Act of South Africa.

## – Major progress with value unlocking strategy

- R1 892 million in Life Healthcare shares distributed to shareholders
- R834 million in Mvelaserve shares distributed to shareholders
- R609 million debt repayment

## Reconciliation between (loss)/profit attributable to owners of the parent and headline profit attributable to owners of the parent

	Reviewed 30 June 2011	Audited 30 June 2010
R'000		
<b>(Loss)/profit attributable to owners of the parent</b>	<b>(124 471)</b>	865 784
Loss on disposal of subsidiaries and investments	283 557	42 516
Impairment to investment in associate	50 337	68 627
Profit on sale of property, plant and equipment	(1 415)	(5 17)
Tax effect	396	(5 781)
<b>Headline profit attributable to owners of the parent</b>	<b>208 404</b>	970 629

## Summarised Group statement of cash flows

	Reviewed 30 June 2011	Audited 30 June 2010
R'000		
Profit from operations	30 818	327 045
Non-cash items	43 739	108 197
Working capital	(95 762)	(6 993)
Cash (utilised)/generated from operations	(21 205)	428 249
Net interest paid	(25 424)	(74 050)
Investment income	74 301	174 122
Normal taxation paid	(14 565)	(70 730)
Cash available from operating activities before the payment of capital gains tax	13 107	457 591